

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 SS-15 NSC-05 PA-01
/084 W

-----047988 270411Z /23

R 262229Z JUN 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 7877
INFO AMCONSUL MONTREAL
AMCONSUL TORONTO POUCH

C O N F I D E N T I A L OTTAWA 03214

E.O. 11652: GDS
TAGS: ETRD, CA, ECON
SUBJECT: GOC/ONTARIO WRANGLE OVER AUTO INVESTMENT
INCENTIVES

REF: OTTAWA 2372

1. SUMMARY. FEDERAL AND ONTARIO GOVERNMENTS ARE MANEUVER-
ING AGAINST EACH OTHER TO AVOID POLITICAL BLAME SHOULD
PENDING DECISION ON LOCATION OF NEW AUTO INVESTMENT GO
AGAINST ONTARIO. DECISION BY FORD IS EXPECTED SOON. END
SUMMARY.

2. ACCORDING TO FEDERAL AND ONTARIO PROVINCIAL OFFICIALS,
FEDERAL GOVERNMENT OFFERED SOME MONTHS AGO TO FUND CDOLS
30 MILLION AS INVESTMENT INCENTIVE TO FORD TO LOCATE NEW
ENGINE PLANT IN ONTARIO. GOC FIRST OFFERED TO PAY THREE-
QUARTERS OF SUBSIDY IF ONTARIO WOULD PAY REMAINDER. WHEN
PROVINCE DID NOT RESPOND TO OFFER, GOC OFFERED TO FUND
ALL OF DOLS 30 MILLION.

3. SUBSEQUENTLY, FORD REEVALUATED AND REVISED PROJECT.
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IT HAS INFORMED FEDERAL AND ONTARIO GOVERNMENTS THAT
REVISED PROJECT WOULD REQUIRE INCENTIVE OF DOLS 75 MILLION.
ONTARIO LAST WEEK ASKED FEDERAL GOVERNMENT IF IT WOULD
FUND THREE-QUARTERS OF NEW, HIGHER AMOUNT. OTTAWA REPLIED
IT WOULD ONLY FUND ONE-HALF OR ABOUT DOLS 37.5 MILLION.

4. JOHN RHODES, ONTARIO MINISTER OF INDUSTRY AND TOURISM,

ACCUSED OTTAWA JUNE 23 OF "BETRAYAL" FOR RENEGGING ON
OFFER TO FINANCE THREE-QUARTERS OF SUBSIDY. OPPOSITION
ONTARIO POLITICIANS ACCUSED AUTO COMPANIES OF "BLACKMAIL."

5. JACK HORNER, FEDERAL MINISTER OF INDUSTRY, TRADE AND
COMMERCE, SAID JUNE 26 ONTARIO HAD NOT AGREED TO EARLIER
PROPOSALS AND HAD NOT OFFERED TO PUT UP "ONE RED CENT" OF
INVESTMENT INCENTIVES UNTIL LAST WEEK. HE REPEATED
OTTAWA'S WILLINGNESS TO PUT UP HALF OR DOLS 37.5 MILLION.

6. ACCORDING TO HORNER, FORD HAS ASKED FOR AN ANSWER BY
THE END OF THIS WEEK. ONTARIO OFFICIALS UNDERSTAND THAT,
AS THINGS NOW STAND, FORD WILL EXPAND EXISTING ENGINE
PLANT IN U.S. RATHER THAN BUILD NEW ENGINE PLANT IN
ONTARIO, UNLESS CANADIAN AUTHORITIES MEET THE DOLS 75
MILLION FIGURE. ENDERS

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Message Attributes

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